



MONTANA RURAL DEVELOPMENT

Multi-Family Housing News

April – June 2006

FY2006 Notices of Funding Availability

The 2006 Notices of Funds Availability (NOFA's) for USDA-Rural Development's Multi-Family Housing Programs have been published in the Federal Register. Copies of all NOFA's may be obtained from the Federal Register website by accessing:

<http://www.access.gpo.gov/fr>

USDA-Rural Development has two new demonstration programs this year which may significantly impact our existing 515 portfolio; the Voucher Program and the Section 515 MFH Preservation and Revitalization Restructuring Program (MPR).

Multi-Family Housing Preservation and Revitalization Restructuring (MPR) Demonstration Program

Published in the Federal Register on March 16, 2006, this Notice provides applicants information and guidance regarding this demonstration program.

The purpose of this program is to preserve and revitalize existing rural rental housing projects financed by USDA-Rural Development's section 515 program. The intent is to restructure existing 515 loans expressly for the purpose of ensuring that sufficient resources are available to preserve rental project(s) for the purpose of providing safe and affordable housing for very low- to low-income residents without displacing tenants because of increased rents.

The primary restructuring tool to be used in this program will be up to a 20-year debt deferral of the payment on 1% section 515 loans. Cash from the deferred

payment will be re-directed to reserve account deposits to help meet the physical needs of the property. If there are sufficient funds to meet these physical needs, other restructuring tools and resources may be utilized. These may include third party loans made through the Section 538 RRH Guarantee Program; revitalization grants up to \$5,000 per unit; section 515 subsequent loan(s) for repair/rehabilitation at 0% interest over a 30 year period, or a subsequent loan at traditional rates and terms; a soft mortgage may be available in very limited situations to address capital needs; transfers; subordinations, and consolidations may be approved as part of a MPR transaction.

The notice provides further guidance with regards to eligibility of properties for consideration, equal opportunity and non-discrimination requirements, application and submission information, the selection/scoring process, and funding restrictions.

Application submission and the scoring process are completed in two phases. The first phase in the application process whereby the applicant must submit a complete application no later than 30 days from the date of this Notice (April 16, 2006). The second phase will be completed by the Agency and based on Agency records to include point scoring and selection.

A complete application consists of a "MPR Application" for each transaction/project submitted for consideration. The MPR Application is attached to the end of the Notice. An electronic version of this form may also be obtained on the Internet at:

www.rurdev.usda.gov/rd/nofas/index.html

The application is stored in a **.PDF** format and may be completed as a fill-able form. The form contains a button labeled “Submit by Email.” Clicking on the button will result in an e-mail containing a completed application being sent to the MFH National Office for consideration.

“Paper” applications under this Notice are to be submitted to:

USDA Rural Housing Service
Attn: Carlton Jarratt, Senior Loan
Specialist
...or, Byron Ross, Director
MFH Office of Rental Housing
Preservation
STOP 0781 (Room 1263-S)
US Department of Agriculture
1400 Independence Avenue SW
Washington, DC 20250-0781

USDA Voucher Program

The United States Department of Agriculture is establishing a demonstration USDA Voucher Program to be administered by the US Department of Housing and Urban Development (HUD) pursuant to an Inter Agency Agreement (IAA) between the two departments and executed on March 1, 2006.

This notice informs the public that USDA, acting under an IAA with HUD, shall make up to \$16 Million available for this purpose. These vouchers are to be available to any low-income family (to include those not receiving rental assistance) residing in a property financed with Section 515 loan funds and which has been prepaid after September 30, 2005. The amount of the voucher shall be the difference between comparable market rent for a section 515 unit and the tenant paid rent for such unit. Voucher funding is subject to the availability of annual appropriations.

The basic structure of the voucher program is the same as the Housing Choice Voucher Program. USDA vouchers under this notice are administered in accordance with the Housing Choice Voucher Program regulations set forth at 24 CFR Part 982, whereby HUD pays monthly rental subsidies so eligible families can afford decent, safe, and sanitary housing.

This program will generally be administered by state or local governmental entities known as Public Housing Agencies (PHA’s). If the PHA approves a family’s unit and tenancy, the PHA contracts with the owner to make rental subsidy payments directly to the owner on behalf of the family on a monthly basis.

The NOFA outlines the background and procedures to be followed in administering the voucher program to include family eligibility, lease terms, inspection of units and unit approval, subsidy calculations, and mobility and portability of USDA Vouchers. The NOFA also details the funding process for USDA Vouchers and providing allocations of vouchers to PHA’s to prevent the displacement of eligible low-income families who are impacted by a Section 515 owner’s decision to prepay their indebtedness to USDA-Rural Development and convert the property to market-rate housing.

USDA-Rural Development is responsible for informing tenants at the affected property of the prepayment and that the tenant may be eligible for USDA voucher assistance as a result. The Director of the Office of Public Housing in the HUD field office will determine the appropriate PHA to administer the USDA voucher assistance and will invite the PHA to administer the USDA vouchers. If there is no PHA able or willing to administer the USDA vouchers, USDA will administer the voucher assistance directly.

Policy and Procedure

As stated in previous newsletters, it is the Agency's policy to no longer accept certifications of zero income from applicants or tenants *unless* all income is specifically exempted or adjustments to income reported results in adjusted annual income of zero.

Households may experience loss of income due to unemployment, loss of benefits, divorce, or other event that may temporarily disrupt the normal income to the household. This loss of income due to these and similar events should typically be short term. Owners and Managers should establish a rental policy that clearly outlines the steps that will be taken should a tenant or applicant declare no income. Policy should already be in place regarding changes in income and/or household status, i.e. pay raises, loss of wages, birth of a child, death of a spouse, etc., that would initiate the recertification process. However, additional policies should be adopted that outline a process whereby tenant households reporting zero income, will be reviewed at regular intervals (i.e. monthly, quarterly, etc.) to determine if the tenant's circumstances have changed. This review does not *require* a recertification unless changes in circumstances justify a recertification.

The policy on zero income should be outlined in the project's Management Plan, and incorporated in the lease documents, etc. Guidance from project's legal counsel should be sought in this to ensure lease provisions do not violate local or state laws.

It is the responsibility of the applicant or tenant to disclose all sources of income and how they propose to pay typical living expenses. In addition to wages, social security benefits, pensions, annuities, and other financial assistance (i.e. AFDC, Unemployment, etc.), other sources of

income may include recurring gifts from family members or others outside the household. These gifts may be in the form of cash, or may take the form of direct payments made on behalf of the tenant to the service provider. These gifts and/or payments when received on a recurring basis (more than three times in a year) are considered income and must be reported.

Once **all** sources of income have been identified, a determination must be made whether the source is considered exempt in accordance with 7 CFR 3560 and 24 CFR 5.609. **Any certification transmitted via MINC that reflects zero income will go into our pending queue. These are reviewed and if the exempt income box is not checked, the transaction will be rejected for correction and follow-up.**

It is the owners and managements responsibility to ensure complete documentation is included in the tenant's or applicant's file regarding zero income.

Wage Matching

Montana Rural Development is implementing a wage and benefit matching system. The goal of the system is to find or prevent fraud, waste, and abuse of Federal benefits. We hope to achieve this goal through early detection of inaccurate information supplied in tenant certifications.

Beginning May 1, 2006, we will have the capability to review wage and benefit information from the State Department of Labor (SDOL) for comparison with information provided on the most current Tenant Certification (Form RD 3560-8) to identify apparent inaccuracies. The Agency will be using this information to resolve these discrepancies.

Should a review of SDOL data reveal a substantial discrepancy, owners and managers will be required to contact the

tenant household to solicit added information to explain any discrepancies, abuses, or to correct any errors. The Agency's program will not usually look at past tenant certification's or recover any improper subsidy which may have been delivered in years past, unless there is evidence of substantial abuse and the amount of the past unauthorized assistance exceeds \$1,000.

Owners will be receiving separate correspondence which outlines this requirement in more detail, and the steps to be taken to inform tenants of the wage and benefit matching initiative. Handbook Letter 206 (located in Appendix 4 of HB 2-3560) will be utilized as a guide in preparing your tenant notification. **This is a template and must be placed on project letterhead.**

Any tenants contacted regarding discrepancies with SDOL data are to be advised of their right to file a grievance in accordance with 7 CFR 3560.160 if the matter is not satisfactorily resolved.

In addition, HB-2-3560, Chapter 9, page 9-27 requires the Agency to establish routines to require and ensure that wage matches are performed each year on at least 10 percent of all initial and subsequent certifications of those households earning income, for those residents scheduled to be interviewed prior to conducting supervisory visits, and for projects where the supervisory visits reveal significant discrepancies. To comply with this requirement, all tenant files must contain a release signed by the tenant that authorizes the Agency to conduct this wage matching. With spring and summer upon us, supervisory triennial visits are/will be in full swing. All tenant files that are requested for review, beginning May 1st, must contain the release authorization in order for the Loan Servicer to conduct the wage and

benefit matching at the time the file is reviewed. Attached to this newsletter is a "template" for utilization. Again, this is to be placed on project letterhead and provided to each tenant household for signature.

DUNS Numbers

All borrowing entities that receive Federal loan and/or grant funds are required to provide the Agency with a DUNS or Data Universal Numbering System number.

The Section 521 Rental Assistance Program is a "grant" program to our Section 515 borrowers. In addition the DUNS number is to be included in every application for new award or renewal of an award, to include applications or plans under mandatory grant programs.

DUNS may be obtained from the Dun and Bradstreet dedicated toll-free number at 1-866-705-5711. If you are anticipating renewal rental assistance, please obtain the required DUNS and notify this office upon receipt. This information can be emailed to Jo Hart, MFH Technician, at: jo.hart@mt.usda.gov

Centralized Processing

By mid-summer of 2006, project payment processing and tenant certification processing will be consolidated at the Centralized Servicing Center located in St. Louis, Missouri. This means that the Bozeman State Office will no longer be accepting project payment worksheets and tenant certifications and any concerns regarding these processes will be directed through the CSC in St. Louis.

Mailing and point of contact information will be provided as we get closer to consolidation. EFT for payments received is required per regulations and enrollment in PAD is recommended to avoid sending a paper check to St. Louis for processing.

Income Limits

Adjusted Income Limits were updated effective March 8, 2006. Currently these can be obtained from the HUD website at www.hudclips.org. We hope to have these on our Montana website very shortly.

Capital Planning and the Capital Needs Assessment (CNA)

Planning for major capital expenses and how to pay for them can take several forms. The two most common forms utilized by the Agency and Section 515 borrowers, are 1) complete an annual capital expenditure budget on Form RD 3560-7, and 2) complete a capital needs assessment (CNA). HB 2 Chapter 4 will provide owners and managers with further guidance in developing a capital expenditure budget.

A capital needs assessment identifies immediate and future capital needs of a project. It is based on a physical inspection and life-cycle cost analysis of a project's major building components systems, equipment, and exterior amenities, such as the site lighting and parking lots. The CNA includes a replacement schedule that anticipates useful life of each item, and estimates when they will need to be replaced and the cost. Preparation of a CNA is an eligible project expense.

HB 2 3560, Chapter 5, Section 2, under Capital Planning identifies the criteria of a capital needs assessment. This office can provide owners and managers with a list of potential CNA providers and a copy of the Statement of Work that must be followed. Mr. Jim Raznoff, the Agency's architect, will be the point of contact for the CNA provider and will review the work completed.

A CNA is required for specific servicing actions within the Section 515 program to include requests for subsequent loans for repair/rehabilitation, for transfer of ownership proposals, and proposals that request prepayment of the borrower's indebtedness to USDA-Rural Development.

However, as properties age, and current reserve accounts are not sufficient to cover today's costs of major improvements, a more intense planning schedule for capital improvements should be identified through a capital needs assessment.

Training Opportunities and Requirements

Montana Fair Housing is holding a two-day workshop April 20th and 21st at the Fairmont Hot Springs. Concurrent workshops will be held to discuss Fair Housing issues involving requests for reasonable accommodations and modifications; Fair Housing accessibility guidelines; Montana landlord and tenant laws; and, Fair Housing issues involving lending and sales transactions. Attendance at the training provides Continuing Education Credits.

Registration forms may be obtained by contacting Pam Bean, Montana Fair Housing, 2522 South Third Street West, Missoula, MT 59804, or calling (406) 542-2611.

Security Awareness: Owners and Managers that are currently registered in the Management Interactive Network Connection (MINC), and who have an MA User I.D. to include all staff that have an MA User I.D., will soon be required to complete "Annual Security Literacy and Basics Training."

There is currently a “Security Training” link on the MINC Home Page. This is not available at this time, however, and security staff has requested that it be removed from the home page.

Programmers are in the process of creating needed documentation and procedures for management agents to obtain an e-authentication (e-Auth) I.D. and password, as all security training is to be completed through the AgLearn System currently utilized by USDA employees. Management Agents will be notified under separate cover “how” and “when” the MINC Security Training needs to be completed.

Check the Message Board on the MINC website frequently as this is continually updated with important information and FAQ’s regarding MINC.

Reminders

If your fiscal year operations ended December 31, 2005, your annual financial reports were due in your Servicing Office by March 31, 2006.

If your fiscal year begins on July 1, 2006, your proposed FY2007 operating budgets are due in your Servicing Office at least 60 days prior to the beginning of your fiscal year. If you are requesting a rental rate increase, they must be received at least 90 days prior to the beginning of the fiscal year or implementation of the rate increase. A copy of HB Letter 203, Notice to Tenant of Proposed Rent/UA Change” must be provided to each tenant and a copy posted in the common area of the property. A copy must be forwarded to the Servicing Office along with all documentation justifying the rate change.

If a project’s Balance Sheet and/or audit or verification of review cannot be submitted by the due date, and the owner presents a request for extension supported by

evidence that delay is at the request of the auditor, the Servicing Office may authorize up to a 60-day extension of the due date.

Further guidance regarding submission of your FY2005 reports may be obtained from the unnumbered letter issued on October 6, 2005. A copy of this letter may be obtained from the USDA-Rural Development website at

www.rurdev.usda.gov/regs

and click on the link for Unnumbered Letters. Also remember to visit our Montana website for current updates and information at:

www.rurdev.usda.gov/mt

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